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DECISION



THE COMPTROLLER GENERAL
OF THE UNITED STATES
WASHINGTON, D.C. 20548

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FILE: B-192707

DATE: April 20, 1979

CNG 00294

MATTER OF: Edward E. Davis Contracting, Inc.

DIGEST:

[Protest of Department of Navy Maintenance Contract Award]

Additional housing units to be maintained for entire year of current requirements contract support Navy's position that incumbent contractor's prior experience of maintenance needs is not entirely dispositive as to maintenance needs for current contract. Nevertheless, because of serious reservations about adequacy of some maintenance estimates, recommendation is made that greater care be observed in preparing estimates for future contracts.

246-00079 Edward E. Davis Contracting, Inc. (Davis), has challenged the award of a Department of the Navy contract to J&R Contracting Company under invitation for bids (IFB) N62467-78-B-2918, which was issued for "maintenance/repair services of family housing" during fiscal year 1979 at the Naval Air Station, Mayport, Florida. Based on its "first-hand knowledge" as contractor for similar services during fiscal year 1978, Davis essentially questions the accuracy of IFB estimates for some of the individual work items required. ARC 00105

The challenged Government estimates, Davis' comments on the alleged inadequacy of the estimates, and the Navy's defense of its estimates are set forth under the below headings:

~~005029~~

IFB Work Category
(keyed to "line code"
designations)

Davis Challenge

Navy Reply

1A.6A.11 -

Replace 2,000 square
feet of window glass.

Only 415 square
feet of glass were
actually replaced
last year.

Three hundred
square feet of
repairs were
outstanding
under last
year's contract.
Further, in contrast
to Davis' contract,
which covered 681
housing units for
the first 6 months
of the contract,
1979's contract
covers 400 addi-
tional units--a
total of 1,081
units--for the
entire year.

1A.7A.2.1 -

Replace 1,100 hollow
core doors

Last year not one
interior door was
replaced. The
present order rate
of doors shows the
erroneous nature
of the estimate.

Because Davis did
not replace nine doors
as directed, the
Navy decided to
stop issuing work
orders for door
replacement for the
remainder of the
contract--thus
prompting the re-
quirement for 1,100
doors. Seven work
orders have been
issued in the first
1 and 1/2 months of
J&R's contract but
Navy will increase
the frequency of
this work.

IFB Work CategoryDavis ChallengeNavy Reply

1A.7A.4.2 and
1A.7A.4.3
Replace 200 sliding doors;
Replace 400 bi-folding doors.

The Navy is admitting it wasted taxpayers' monies in purchasing "fragile" doors for the new units.

These items were added because of the large number of these fragile metal doors in the 400 new units.

1A.7A.5.1 -
Replace 5,000 interior door locks.

The Navy's reference to the 98 locks referred to exterior--not interior--locks. Davis has not questioned the exterior lock estimates. In any event, the number of uncompleted work orders remaining at the end of the 1978 contract is irrelevant to the protest.

Davis installed 98 door locks during his contract; however, the company did not fill another 16 work orders for door lock replacement so that further orders were suspended. The estimate may seem high but it was based on the additional 400 added units and the lack of replacements under last year's contract.

1A.7A.5.1 -
Replace 1,100 soap dishes, 200 toilet paper holders, 100 towel bars and 1,100 toilet seats.

Under the 1978 contract only 35 soap dishes and 25 toilet paper holders and towel bars were replaced.

Under the 1978 contract seven work orders for soap dishes were not filled. Under the present contract seven work orders have been issued and completed as of December 1978.

1A.7A.5.1 -
Replace 1,000 curtain rods.

61 were replaced under the 1978 contract. As to the allegation that Davis failed to complete work orders, some 76 percent of all work orders under the 1978 contract were issued in the last 3 days.

The Navy intends to actually replace a minimum of 1,000 curtain rods; moreover, Davis did not complete 18 orders last year.

<u>Work Category</u>	<u>Davis Challenge</u>	<u>Navy Reply</u>
	of the contract when the Navy knew the contractor was closing down. Further, in many items where the Navy alleges that Davis left incomplete work orders, the actual records show this was not the case for the most part.	
1A.9A.2 - 2,400 calls for electrical repairs	Last year there were 1,127 calls	The 400 new units are not under electrical warranty now. Thus the present estimate of 2,400 is realistic based on 1,081 units.
1A.9A.3 - Repair 400 interior water breaks	Last year 284 were repaired.	Based on current work orders issued and a progressively deteriorating plumbing system, these orders will be issued and accomplished.
Repair 200 exterior water breaks.	Last year 59 were repaired.	
1A.9A.3.2.1 - for 50 contractor-supplied and 150 Government-supplied garbage disposals. (See also similar descriptions for lavatories, condenser coils, compressors and furnaces.).	Not only are some quantities excessive - for example only 78 disposals were replaced last year--but the contractor--furnished items are not described. Moreover, there is no indication that the contractor will be reimbursed for items not ordered.	Although only 78 disposals were replaced last year, the current estimate is based on the addition of the 400 new units with disposals which are now beyond the 1-year warranty.
1A.11A.4 - grass fertilizing, 38 acres.	About eight of the acres are in very steep ditch bank areas which should not have grass.	Davis is mistaken. The eight acres of ditch do not fall under the contract.

Analysis

Defense Acquisition Regulation (DAR) § 3-409.2(a) (1976 ed.) requires that solicitations for "requirements"-type contracts of the kind involved here are to contain estimated quantities of the work requirements, "which estimate[s] should be as realistic as possible." This regulation further provides that the "estimate may be obtained from the records of previous requirements and consumption, or by other means." Estimates are obviously essential in aiding bidders to prepare reasonable and intelligent bids and in ensuring that the Government awards the contract to the lowest, responsive, responsible bidder. Moreover, reasonable estimates tend to limit the possibilities for fraudulent manipulation of work orders and payments.

Obviously, one of the essential bases for determining reasonable estimates is the record of performance under prior contracts for similar requirements. It is clear the Navy insists that the requirements of Davis' prior contract should not determine the reasonableness of its estimates for this year's contract because of the added number of housing units involved. We believe there is merit in the Navy's position that the added maintenance of 400 additional housing units for the full year of the present J&R contract has to represent increased maintenance needs compared with the requirements experienced under Davis' contract when these 400 additional units were only to be maintained, on the average, for 6 months; moreover, we are not in a position to resolve the Davis-Navy dispute as to the number of unfilled work orders existing at the expiration of the prior contract or whether the contractor was arbitrarily penalized, as Davis suggests, by the Navy's issuance of a tremendous number of work orders during the remaining few days of the contract. Nor are we able to resolve the Davis charge of waste regarding the purchase of "fragile" doors. (In regard to the charges of arbitrary contract administration and waste of monies, however, we are bringing them to the attention of the Secretary of the Navy for possible investigation.)

Nevertheless, we question whether the new units justify the estimated quantities for items such as interior doors, interior door locks, soap dishes, toilet seats and curtain rods. We agree with Davis that it is most difficult to see the need for these items for essentially new housing. At the same time, we recognize the Navy's stated intent to increase the frequency of orders for these items so as to actually achieve the estimates. Moreover, Davis has not questioned the accuracy of many other items listed in the IFB.

On balance, although we have serious reservations about the adequacy of some of these estimates, we do not believe the appropriate course of action would be to require recompetition of this year's requirements. We are informing the Secretary of the Navy, by letter of today, however, that greater care should be observed in preparing next year's estimates of these requirements in order to ensure that the estimates are as accurate as possible. As part of the effort to ensure greater accuracy in the estimates for next year's services, we are also recommending to the Secretary the monitoring of this year's contract to determine the accuracy of the estimates as well as the soundness of the administration in general.

Unspecified Contractor-Furnished Items

In the specifications for replacement of condenser coils (9A.4.3) and compressors (9A.4.4), the contractor-furnished replacement items are specified to be of the "size and type" of the original manufacturer. As to the replacement of other items (garbage disposals (9A.3.2.1), lavatories (9A.3.2.3), and furnaces (9A.4.7)), a description of contractor-furnished items is not found. Although these items should have been described in at least as much detail as coils and compressors, given the relatively small number of unspecified items, the range of the lump-sum bids, and the absence of an allegation of specific bidding prejudice on the part of Davis, we cannot conclude that this defect requires resolicitation of the entire requirement.

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To the extent the protest requests recompetition of this year's maintenance requirements, we deny the protest.


Deputy Comptroller General
of the United States